LIMITATION OF EXPORTS

The question what we shall do with regard to exports has been urgent for a great while, practically ever since the conclusion of the peace conference, but no consistent policy of action regarding it has been developed in any country or group of countries. Great Britain, ever since she ceased to borrow directly of the United States Government, has been endeavoring to increase her net exports in order thereby to settle her obligations for interest and instalments of principal abroad. She has had a measurable success, but no more, while other European countries have not even made the effort, but have continued to borrow wherever and in as large sums as they could. Great Britain's withdrawal of artificial support for exchange resulted during the summer in a surprising fall in the value of sterling, a quotation of 4.12 being at one time established. Other European exchanges have fallen much more severely. Low valuations of foreign currency in dollars have tended to restrict exports from the United States, a situation apparently desired by the British authorities, and perhaps by those of some other nations. American manufacturers and bankers, on the other hand, seeing some valuable branches of manufactured exports on the decline, have been demanding the establishment of "export credits," by which they mean in the last analysis action designed to guarantee our shippers against losses (certainly losses due to depreciation of exchange) in trade with other countries.

Review of trade conditions during the past three years shows that practically our entire "favorable balance" was covered by issues of government securities. This fact made foreign trade during that period extraordinarily safe, while the high prices, lack of competition, and non-discriminating demand abroad made it unusually profitable. Since the cutting off of Treasury advances to foreign countries, the basis for such subsidized trade has been cut away. Various interests have appealed to the Treasury, the Federal Reserve Board, and other authorities for its restoration, but there has been thus far a well-founded hesitation to take any such step. The character of the situation domestically is, such as to raise the gravest doubt whether it is wise or fair to the consumer, or safe from the public point of view, to continue an artificial support for export trade which merely takes from the home market goods which are needed here to meet legitimate domestic demand, while consumers, of course, have to supply the credit which is required to carry the guaranteed advances to foreigners. The export trade and foreign exchange questions are thus seen to be integral parts of the general problem of wages,

prices, and labor in the domestic market, which go to make a part of the question of "unrest" now so troublesome.

Some momentum has recently been attained in the plans for foreign financing. A loan of $250,000,000 has been made to Great Britain, of which $135,000,000 constitutes a renewal of a loan contracted in 1916. It is of interest that following this loan the expected Belgian loan was canceled. It is now an open secret that Great Britain made the Belgian loan, and at a rate lower than that on the British loan from the United States. This was apparently done on the principle that trade follows finance.

The international foreign-trade conference held at Atlantic City last month served to clear the air in the matter of foreign credits. There had been no end of speculation as to the sums required by the various European countries, ranging all the way from Tardieu's statement at the time of the armistice that France along required from 10 to 15 billions of dollars down to more recent estimates of a few hundred millions for all of Europe. The conference made it clear that Belgium, France, and Italy actually need about $1,500,000,000 in credits during the next two or three years. It still remains to be seen, however, whether these countries can offer sufficient guaranties to make their securities attractive to American investment bankers and, in case they can do this, whether the American investing public can be induced to purchase in large volume the securities of foreign countries.